

Finnish State-owned Monopolies as Hybrid Organizations: How Alko and Veikkaus manage institutional pluralism

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Tiivistelmä - Referat - Abstract <p>The purpose of this thesis is to examine the Finnish state monopolies, Alko and Veikkaus, as hybrid organizations from an institutional plurality viewpoint, since their duty is to decrease the consumption-related harm of their products. Hybrid organizations have existed for long, but societal changes have induced an increase in institutional pluralism. Hybrid organizations have not been studied very thoroughly despite a recent growing interest. State-owned organizations have been examined from a hybridity viewpoint specifically regarding mixed ownership, but constitutional monopoly research is scarce. Research questions inspect what kinds of pluralistic tensions Alko and Veikkaus face, and how the organizations cope with them.</p> <p>Data collection first included background interviews for confirming relevant research themes. One interview was conducted in each company, with employees whose position includes stakeholder contact. Next, annual reports and responsibility reports for 2015 and 2017-2019 were retrieved from the companies' websites, and processed with qualitative content analysis, which utilized themes identified in both previous research and background interviews.</p> <p>Results showed that the monopolies faced distinct tensions due to different operating environments. The organizations used different coping mechanisms, which is partly due to differences in the core products. Veikkaus' mechanisms slightly favored responsabilization and decoupling, while Alko benefitted from a strong organizational identity and collaboration with other organizations. This thesis identifies some specific challenges and tensions related to the monopolies in industries of addictive products and contributes to the understanding of coping mechanisms in hybrid organizations.</p>		
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1 Introduction

This thesis inspects Finnish state-owned monopolies in industries of addictive products from a hybridity viewpoint. As the Vice President of Veikkaus expressed in an interview at the end of 2020, the triangle of the monopoly's objectives has recently begun to creak (Yle 2020). This triangle of decreasing gambling-related harm, producing profit, and maintaining the market share opposed to foreign actors is at the core of institutional complexity in state monopolies: the goals are supposed to be pursued simultaneously, but they may be irretrievably conflicting. The research questions focus on what tensions and expectations are involved in the hybrid role of monopoly actors whose duty is to lessen the usage of the very object they sell, and what kinds of strategies or mechanisms these organizations use for navigating the complex institutional logics and maintaining legitimacy.

Hybrid organizations have various stakeholders, who have different expectations. This means that the organizations operate in a crossfire: stakeholders with different expectations create conflicting pressures. Institutional pluralism refers to how organizations act according to multiple institutional logics to satisfy different stakeholders. Organizations employ different types of coping strategies, such as decoupling, to handle these situations and maintain both reputation and legitimacy. There are various types of hybrid organizations with different characteristics. The concept of hybridity is relatively new in organization research, meaning that significant ambiguity and uncertainty still exist in the field. Expanding the field of hybrid organization studies is relevant for collecting basic knowledge about how they function.

Hybridity in state-owned enterprises has only recently been researched from an ownership standpoint (see Bruton et al. 2015), thus excluding state monopolies, as their hybridity is not related to ownership but rather conflicting duties, making them hybrids by constitution. Finland is a relevant context for studying this phenomenon, as there are currently two state-owned monopolies employed as policy tools in the industries of gambling and alcohol retail. The Swedish state-owned Svenska Spel has been researched as a hybrid organization from a decoupling point of view (see Alexius & Grossi 2017).

The Finnish state-owned monopolies for addictive substances, Alko and Veikkaus, have not been studied from a hybrid perspective at all. Alko is exclusively responsible for selling alcohol over 5,5 ABV and reducing alcohol-related public health issues. Veikkaus organizes

online and on-site gambling and betting games in Finland, while also attempting to minimize gambling-related harm. These organizations are particularly interesting examples for studying hybridity-related tensions and coping mechanisms, as the conflict is ingrained deeply into the core mission of the organization. Additionally, state-owned monopolies for addictive substances mainly function as policy tools, which is why their societal significance is considerable, and the public discussion regarding them is particularly active at times. There is a research gap regarding these monopolies, their hybrid role, and its implications.

For this thesis, one interview is conducted at each company. The interviewees are employees whose work is related to stakeholder relations. The purpose of the interviews is to gain insight on how the companies themselves view the hybrid role and to verify the themes in the literature are also relevant in the context of this thesis. The themes provide a framework through which relevant data is harvested from public annual reports and responsibility reports by the companies from 2015 and 2017-2019. Next, qualitative content analysis is utilized to find more precise concepts to answer the research questions. The purpose of this thesis is to overall extend the understanding of hybridity in organization research, more specifically to find out what kinds of hybridity-related tensions are found in state-owned monopolies, and what kinds of coping mechanisms these organizations use to manage them.

In the following four chapters, a theoretical framework is introduced. Hybridity in organizations is a relatively new research interest, meaning that there is no single established theory to apply to this research scheme. The theoretical framework includes organizational structures surrounding hybrids, internal characteristics of hybrids, previously identified coping mechanisms, and the basics of state-owned monopolies. In the sixth chapter, the research questions and methods, interviews and qualitative content analysis, are introduced in detail. Chapter seven presents the results, followed by discussion in chapter eight.

2 Organizational structures

Considering hybrid organizations may have conflicting standards compared to traditional one-logic organizations, they function in a different operational environment. This environment is relevant to introduce, even though its implications are not yet thoroughly studied, as it helps understand the setting for the hybridity tensions referenced the research questions. This chapter reviews the way hybrid organizations are formed, the institutional logics perspective, and types of hybrid organizations outlined in research so far. As the previous research is relatively scarce despite fact that institutional complexity has increased, no established theory exists yet to explain how hybrids function, which further underlines the need for more hybridity research.

2.1 Hybrid organizations

The first hybrid organizations were found in the Roman Empire, as private companies – also known as ‘publicans’ – attended to public activities such as tax collection. However, Johanson and Vakkuri (2018) describe this development and remind that societies and states have since been formed in a multitude of ways that do not directly align with our modern understanding of a society, thus complicating the tracking of the phenomenon. Economy, society, and government are connected and grow together by affecting each other. Ever since the emergence of capitalism, a double movement has existed within the private and public fields where market development induces a government reaction. At the same time, a grey area of organizations has emerged, especially regarding two parallel developments. In the public domain, public administration and politics have been separated, and thus decision-making and implementing are more disconnected to ensure fewer internal conflicts. Similarly, in private organizations, control and ownership have been increasingly disconnected to avoid conflicting interests. This leaves a space in between clear organization types, which generates room for different hybrid solutions. Significant ambiguity still exists in hybrid research, especially due to the fairly recent interest in the phenomenon within organization studies (Johanson & Vakkuri 2018, 17–22). The increased number of hybrid organizations in recent decades has been attributed to more complex and pluralistic institutional environments (Thornton & Ocasio 2008).

At the moment it is generally accepted that hybrid organizations all have various stakeholders, pursue multiple and often conflicting goals, and engage in inconsistent activities (Mair, Mayer & Lutz 2015, 714). These organizations function according to diverse institutional logics

simultaneously. For example, pursuing both business and charity logics causes internal tensions for the organization, and results in pluralistic expectations between the organization and its stakeholders. In addition, Mair et al. (2015) claim that gaining legitimacy from multiple stakeholders is a balancing act. These factors explain the crossfire in which hybrid organizations need to navigate conflicting expectations. However, there has been little research on how organizations can be arranged to appeal to different stakeholders. Hybrids have also been described as an unstable phenomenon, as they might be focused on unsettled fields (Mair et al. 2015).

According to Skelcher and Smith (2015, 434), hybridization has been employed rather as a descriptor of organizations that function according to multiple institutional logics. Hybridity has evoked extensive discussion in the organizational studies field, but little theoretical foundation exists for explaining how hybrid organizations form, what different forms of hybridity may arise, and what organizational consequences follow from such hybridity. For now, most literature has accepted the concept of hybridity to explain changes in governance and organizations, but hybridity itself remains understudied (Skelcher & Smith 2015, 434). Brandsen, van de Donk and Putters (2005) suggest that hybridity should perhaps be interpreted as an integral feature of modern, changeable organizations, as recent developments suggest hybridity is increasing rather than decreasing. This would call for a different understanding of hybridity, focusing on a sort of organizational metamorphosis: nonlinear, permanent change that happens continuously in all adaptable organizations (Brandsen et al. 2005, 759). These different understandings accentuate the need for additional research from various perspectives.

Johanson and Vakkuri (2018) recognize the understudied nature of hybrid organizations and claim that hybrids are regulated haphazardly. Traditional accountability principles often do not cover hybrids in the sense that their responsibilities in between private and public are ambiguous. Hybrid organizations are in this setting defined as an “impure existence in between pure types” (Johanson & Vakkuri 2018, 1), specifically in the context of the authors’ research regarding private and public form organizations. Furthermore, hybridity is understood as the space between government and markets, where private and public resources are used by various hybrid organizations, groups of organizations, systems and industries contributing to public policy objectives. Hybridity allows examining non-traditional organization types without forcing them into pre-existing categories. The conversation also sometimes includes a normative approach of how certain institutions should be, instead of

how they actually are, reinforcing a black-and-white representation of these organizations (Johanson & Vakkuri 2018, 2–4).

2.2 Institutional Logics Perspective

Thornton and Ocasio (2008) describe the institutional logics perspective as a metatheoretical framework used for analyzing interrelationships between institutions, individuals, and organizations in social systems. Institutional logic refers to socially constructed symbols and practices, such as values and beliefs, which organizations and individuals use to attach meaning to their social reality. To put simply, institutional logic is how a specific social world works (Thornton & Ocasio 2008, 101). The logics are reference frames that explain how choices are conditioned concerning sense-making and identity, while also shaping how reasoning and rationality occur in an organization. These logics moderate how organizations make strategic decisions (Thornton, Ocasio & Lounsbury 2012, 2). This perspective offers some insight into the institutional circumstances of hybrid organizations, although it alone does not form a significant theoretical background for the phenomenon of hybridity, which is, again, why hybrids need to be studied more thoroughly.

There are five core elements in the institutional logics perspective. First, theoretically distinct normative structures make up society, an inter-institutional system. These structures include market, state, community, family, religion, profession, and corporation (Thornton et al. 2012). Secondly, Skelcher and Smith (2015) describe how the plurality of logics enables agency; multiple logics affect organizations and individuals, though one logic may be dominant. Individuals respond in different ways at the micro-level, thus creating the response at an organizational level, and furthermore, broadly at the societal level where organizations construct. Thirdly, organizations are primarily a medium through which the agency of the actors and logics of sectors interact. Fourthly, these logics have not only material but also cultural or symbolic components. While market logic will include some element of concrete personal wealth, it also includes a component of identification. Lastly, historical contingency emphasizes the most dominant organizational logic and how it manifests in the organization. This was already identified in nations where new public management (NPM) has been widely adopted – the balance between market and state logic has shifted (Skelcher & Smith 2015, 437–439).

Thornton et al. (2012) describe that regulative and normative pressures affect how social identities and goals are formed, as social actors seek approval from stakeholders that they are

accountable to. Individuals, organizations, and institutional logics in turn interact to actively shape social structures and action. Organizational identity has been recognized to explain both change and stability in organizations. Institutional logics are fundamentally interrelated to organizational practices and identities. Hybrid organizations may sometimes only hybridize some practices and have relatively independent logics within their own practices.

Contradicting logics allow for individual agency and organizational change, but multiple logics can also create the need for sensemaking within the organization and actions to cope with or resolve tensions (Thornton et al. 2012). These tensions are still understudied especially in the context of monopolies. Institutional logics, among other theoretical frameworks, has been used to develop hybrid organization subtypes, which will be discussed next.

2.3 Types of hybrid organizations

Skelcher and Smith (2015) draw on institutional logics to theorize five types of different hybrids: segmented, segregated, assimilated, blended, and blocked. Segmented and segregated hybrids navigate by compartmentalizing different functions to avoid any clash. Segmented organizations do this by creating different departments or units for contradicting activities, while segregated organizations consist of very distinct but yet interconnected organizations. Assimilated hybrids mainly consist of a dominant main logic but adopt some features of another logic. Social enterprises, for example, may work primarily with social welfare logic, but adopt some market logic activities to appeal to their stakeholders. The new logic may appear in the structures, symbols, and language, while day-to-day activities in the organization remain unchanged. In blended hybrids, multiple identities formed by institutional pluralism evolve into a complex, new identity where multiple logics are navigated successfully. Blocked hybrids are unable to resolve the contradicting logics and succeed. This is often the case with nonprofit organizations that originate within communities, often with a flat hierarchy and inclusive decision-making (Skelcher & Smith 2015, 441–443).

According to a public administration research approach by Johanson and Vakkuri (2018, 3), the concept of hybridity includes four types of organizations. The first type is a mixed ownership organization, which refers to enterprises often mostly owned and controlled by the state. These enterprises have a politically driven goal, but operate on business logic: their aim is utilizing business logic for financial efficiency, while also fulfilling a public duty. This example would include many state-owned organizations, which will be discussed later in detail. The second type, a multiplicity of funding arrangements, is often seen in projects

supported by various actors. These actors, such as taxpayers, private investors, and state institutions, have different stakes at a project, but they collaborate to provide intellectual and financial resources towards a common goal. For example, the funding and know-how for maintaining the International Space Station includes a vast number of private and public actors around the world with different interests. In the third type, both public and private systems of financial and societal market control exist simultaneously. In hybrid settings, it is often difficult to define whether modern control mechanisms are, in fact, public or private, as they deploy different dimensions of control at the same time. Hybrids in this group, such as private firms in government-controlled industries, are inclined to have mixed methods of control influencing them. For example, regulatory control and customer-driven market control may both affect an organization, which means it is not controlled purely publicly or privately. The fourth type consists of privately owned organizations with parallel yet different institutional logics, where it is then common for competing logics to arise. Examples of these types of hybrids are social enterprises, which can effectively be either non-profit or for-profit organizations with the goal of both producing financial value to stakeholders, while simultaneously tackling a social issue (Johanson & Vakkuri 2018, 3–4).

Mair et al. (2015) studied governance in social enterprises further and found two different types of hybrid organizations. Conforming hybrids identify with and follow either commercial or social welfare logic, while dissenting hybrids object to identifying with either logic. They seek to remodel governance by picking different mechanisms from different logics. Dissenting from traditional institutional logic may help the hybrid organization to handle mixed expectations better (Mair et al. 2015). While the focus group of Mair et al. (2015) was social enterprises, the possibility of similar governance tactics in other types of hybrid organizations is not excluded and calls for further research.

Johanson and Vakkuri's (2018) understanding of hybridity arose specifically from public administration research. Consequently, the focus is on hybridity in the context of public administration, which exist between government and markets. Mair et al. (2015) did not include such specification - their focus group of social enterprises falls more naturally between private and voluntary sectors, excluding the public point of view. This definition would allow for hybrids to also exist between public and voluntary sectors. Brandsen et al. (2005, 758) argue that hybridity is an inevitable characteristic of the nonprofit sector, as market, state and civil society cannot be classified in a mutually exclusive way. In fact, these domain distinctions are technical, as reality may resemble more a continuum or dimensions

than opposite archetypes, further emphasizing the multidimensionality of the concept of hybridity.

The purpose of this chapter was to outline the different nuances of hybridity to emphasize the complexity of hybridity and hybrid organizations. The complexity highlights the basic argument for this thesis – hybrid organizations operate in an intricate and plural environment. This understanding of hybrids constitutes a foundation for examining the Finnish monopolies in more detail later. The next chapter will focus on the characteristics of hybrid organizations.

3 Characteristics of hybrid organizations

As the previous chapter reviewed the outward circumstances, definitions, and types of hybrid organizations, it is then relevant to consider the internal characteristics research has explored so far. This chapter will introduce the concepts of private versus public, accountability, and values, which are all core concepts in hybrid organization research.

3.1 Private and public

The distinction between private and public is widely debated in organization research. Many contradicting views exist on if it is possible to successfully mix private and public characteristics and values in an organization. Simultaneously, according to Van der Wal, de Graaf and Lasthuizen (2008), discussion has also emerged on whether it is sensible to allow these hybrids to form, even if technically possible. Previous research has identified value mixing particularly in New Public Management (NPM) and Corporate Social Responsibility (CSR), where traditional organizations borrow values and functions from opposite ends of the usual private/public division (Van der Wal et al. 2008). This discussion is saturated with ideology which is also linked to the normativity of how organizations should be instead of how they actually are (Jacobs 1992).

Regardless of the disagreement in the field, it is relevant to understand the different definitions of phenomena surrounding hybrid organizations. The terms can be used as a framework to conceptualize different organizations, but in reality, the boundaries seem to be very complex and ambiguous. Although ownership and control of organizations are often used to differentiate the two, it is not very straightforward, as ownership does not always imply control (Simon 1998, 8–9). The lines may be clearer ideologically rather than realistically (Simon 1991), which again involves a normative distinction.

Bozeman (2013, 176) quotes the dimensional publicness theory to argue that all organizations are actually more public than often thought. Organizations possess different characteristics of publicness, but they are all affected by some regulations and contracts, which are implementations of political and economic authority. Public organizations are driven by political authority, while privately owned organizations are subject to market authority. Publicness is thus more of a dimension than an end of a spectrum. Bozeman also notes that trying to determine hybrid organizations as governmental or private actors is essentially fruitless. The degree of publicness, however, can be used to predict characteristics and behavior of the organization (Bozeman 2013, 176–177).

Boyne (2002, 98) asks whether private and public organizations actually have any significant differences in their practices, since public administration has been borrowing new management conventions from private organizations for decades, which should not be useful if the organizations are fundamentally disparate. Nonetheless, Boyne (2002, 118) claims there is scarce empirical evidence both of the differences between public and private organizations and outcomes of management conventions even in private companies. In other words, there is no empirical knowledge of if there are practical differences between private and public, if these practices work in private organizations, or if it is feasible to transfer them to public administration.

According to empirical research, another way of differentiating between private and public is a different value system within organizations. The concept of value mixing includes the assumption that values are somehow inherently private or public and begs the question of whether it is relevant or even possible to distinguish such differences. Van der Wal et al. (2008) found some relevant differences and similarities between value systems. Private organizations specifically value profitability and innovativeness, whereas public organizations value impartiality in a way that private organizations do not. However, shared values in both organization types included efficiency and accountability. This suggests that the contrast between private and public is not very distinct, although there are clear differences (Van der Wal et al. 2008). Concerning hybrid organizations, Alexius and Cisneros Örnberg (2015) found that in state-owned enterprises, non-financial “meta values” such as transparency and efficiency are added to the performance language in the company reporting specifically to commensurate the performance of conflicting missions. This commensuration practice, which can be understood as a survival mechanism, is at the core of plurality – the conflict of values forces a method for conciliating between the two.

3.2 Accountability

As hybrid organizations are at the crossroads of multiple principal stakeholders, coping with accountability for conflicting objectives and demands is a survival issue for hybrid organizations (Ebrahim, Battilana & Mair 2014). Van der Wal et al. (2008, 470) define accountability as consciously justifying activity to relevant stakeholders. Johanson and Vakkuri (2018, 24) compare accountability to a classic form of responsibility with a simple principle of someone being accountable to someone else, while also noting that the institutional variants may be very complex. According to Grossi and Thomasson (2015, 606), the accountable party also needs to recognize their accountability to the stakeholder and react

by reporting transparently. With many new hybrids emerging, there is also discussion on whether the traditional type of accountability is even possible, whether there may be potential for even better accountability, or whether it should just be achieved with new means. Hybrid organizations have even been accused of lacking accountability altogether (Grossi & Thomasson 2015, 605–606). The field has faced many challenges in accountability research regarding non-traditional organization types (Hodges 2012, 37).

The traditional public sector accountability, according to Grossi and Thomasson (2015), is based on citizens delegating public duties to the government. In public administration, accountability is hierarchic or vertical in nature. It consists of four types of responsibility: bureaucratic, legal, professional and political. Furthermore, accountability is associated with the overarching themes of finance, fairness and performance, first two of which concern how governmental duties are handled, while performance takes note of what is practically achieved (Grossi & Thomasson 2015, 606–607).

However, regarding hybrid organizations in charge of public duties, Grossi and Thomasson (2015) claim that the question of who is accountable to whom becomes more complex. Vertical accountability between citizens and elected politicians is accompanied by horizontal accountability, which consists of a business relationship between politicians and hybrids and of a customer relationship between hybrids and citizens. As the traditional accountability system does not cover hybrids with dual goals, an accountability gap can emerge. In this horizontal dimension, organizations are evaluated based on market mechanisms and financial performance, which then in turn raises the question of how they are accountable; politically, financially, or possibly in both ways (Grossi & Thomasson 2015). This is also an issue regarding policy tool monopolies – they have many different accountabilities, as there are many different stakeholders with differing expectations.

Based on empirical evidence, it does seem like instead of accountability systems, the main issue regarding hybrids may be how the people within use the system, how aligned the visions of different stakeholders are, and how the reporting in the organization works (Grossi & Thomasson 2015). Accountability systems in hybrid organizations may also be underdeveloped. In addition to horizontal accountability, the vertical dimension of accountability may actually reveal to be more multifaceted in hybrid contexts (Hodges 2012, 35–37).

3.3 Value tensions

Due to complex institutional logics, hybrid organizations need to balance different values legitimately (Ebrahim et al. 2014; Bruton et al. 2015). Each hybrid organization has its own internal and external tensions depending on the circumstances: stakeholders, expectations, and coping mechanisms. Regarding state-owned enterprises, the commensuration of objectives by adding meta values to the company's reports is one way of approaching these tensions, as mentioned previously. Responsibility conflicts that hinder profit-maximization are common among commercial actors, and possibly a major issue regarding legitimacy if dealt with by decoupling (MacLean & Behnam 2010, 1500). Alexius and Cisneros Örnberg (2015) also recognize particular challenges of reconciling public policy assignments and financial performance in state-owned enterprises: there are several coping mechanisms to be introduced in the next chapter. Smith and Campbell (2007) recognize some additional challenges related to the specific role in addiction-related fields; Canadian electronic gambling provides an example of tensions in public discussion, legitimacy and internally. It is also a hybrid organization by constitution in that it is state-owned and a limited corporation, according to a classification by Alexius and Grossi (2018, 287).

Smith and Campbell describe the tensions in public expectations regarding legalizing electronic gambling machines in Canada. In the public discussion about electronic machine gambling, the values debated were freedom and virtue. Freedom of choice is an individualistic approach that gives the public a right and a responsibility to choose and handle their own gambling. Virtue discourse, on the other hand, focuses on the collectivistic consequences: human suffering caused by addiction, and following social and economic damage (Smith & Campbell 2007, 92). Even so, in the case of the gambling industry, legalization proved to be very profitable for Canadian provinces, which led to forming provincial gambling monopolies and increasing outlets. Provincial governments acting as corporations raises contrasting goals of shareholder value versus protecting public interest. While it is easy to argue that effectiveness is an essential and relevant value nevertheless, the effectiveness measures are contrasting; increasing shareholder value requires profit maximization, protecting public interest is measured in the wellbeing of citizens (Smith & Campbell 2007, 96). This example is very relevant when considering the Finnish gambling and alcohol retail monopolies – freedom and virtue as well as the profitability of a monopoly are common themes and provide an instance of a hybridity struggle.

Smith and Campbell (2007) reject the more extreme argument raised in some literature claiming governments are gambling addicts themselves but do claim governments may nonetheless have a sort of gambling revenue dependency, which leads to misaligned governance practices. Departments or corporations in electronic gambling friendly governments may qualify as addictive closed systems if their processes and behaviors resemble that of individual gambling addicts. Such behaviors, as recognized in addicts, include a discrepancy between what is said and done; preference of avoiding conflicts, difficult issues and straight talk; habit of patching up problems instead of facing them; and lastly, seeing these behaviors as normal functioning. Denial is the primary defense mechanism if confronted, and typical denial symptoms include, for example, blaming others and belittling contrasting opinions (Smith & Campbell 2007, 97–99).

Two syndromes first described by Jacobs (1992) highlight the normativity and tensions between organization types: the guardian moral syndrome and the commercial moral syndrome. As specified by Bundick (2013), guardian moral syndrome guards the use of power. It reflects the virtues and values of government activities, specifically hierarchy, traditions, honor, and fortitude. Any pursuit of profit is reprehensible and compromises the pure values. Using this power position for profit is most often condemned as corruption. In contrast, commercial moral syndrome includes a focus on business ethics and activities such as competition, efficiency, initiative, and collaboration. In this syndrome, profit seeking is considered a virtue, and fair deals promote well-being for everyone equally (Bundick 2013, 497).

Both moral syndromes are necessary for modern societies, but they are mutually exclusive, which highlights the importance of understanding how hybrids navigate these choices. Harmony exists if the identity and integrity of the appropriate moral syndrome is maintained; if it is breached by adopting an inappropriate function, a systematic process of corruption follows (Jacobs 1993, 132). Deviating from the norms of these syndromes, such as a government administering its corporations, leading to aberrations (Smith & Campbell 2007, 96). The normativity of Jacobs' (1992) approach, according to Johanson and Vakkuri (2018, 2), suggests organizations should keep to either of these syndromes instead of allowing hybridity to form. Jacobs also finds governments' reliance on gambling revenues to degrade traditional values, such as integrity and decency (see Jacobs 2004). These conflicts and coping mechanisms are essential in hybrid research overall, although they may be more

visible in addictive substance monopolies, which is why the next section will introduce some mechanisms identified in research.

4 Organizational coping mechanisms

This chapter will discuss some coping mechanisms identified in previous research that could illustrate the ways hybrid organizations attend to conflictions and help interpret why some hybrids succeed and others do not. These mechanisms are different in their origin and employment. It is also relevant to acknowledge that they are not inherently positive or negative operations within the organization, as their benefits and characteristics vary. They do not yet form a cohesive understanding of how hybrids function as the previous literature is very scarce, which is also why the research topic is so essential.

4.1 Organizational identity

Understanding organizational identity is relevant in hybrid research as it is interesting if the organization adapts to one of multiple contradicting logics or forms a new identity where effects of hybridity are visible. Strong or clear organizational identity could also help navigate conflicts, which is why it makes sense to look into it in this context. According to He and Brown (2013, 5), organizational identity is a term that has not been explained accurately enough for a generally accepted consensus. An example of a definition concludes that it is “the theory that members of an organization have about who they are” (Stimpert, Gustafson, & Sarason 1998, 87). Identity could be understood to consist of the collective firm culture, characteristics, and reputation (Martin, Johnson, & French 2011, 576). Ran and Duimering (2007, 156) argue that identity has more to do with how the public views the organization rather than its inherent attributes. Regardless of the definition, some argue that the whole concept of organizational identity is overused and under-specified as an explaining factor (Pratt 2003, cited in He & Brown 2013, 5).

Organizational identity helps organizations build legitimacy in the eyes of stakeholders and the general public (He & Brown 2013, 5). Organizations seem to be characterized by multiple identities, some of them contradictory and ambiguous - there may even be as many of them as there are members in an organization (Harrison 2000). Organizational identity has also been recognized as a major factor in internal conflicts (He & Brown 2013, 5). It is reasonable to assume hybrid organizations encounter more ambiguous internal identities, as goals and values within them are often somewhat contrary. According to Ran and Duimering (2007, 157), trying to satisfy diverse expectations and gain legitimacy in the eyes of different

stakeholders may result in ambiguous communication. Additionally, inconsistency may be followed by internal identity conflicts.

Martin et al. (2011) describe how organizational identity may additionally explain how organizations respond to outside pressures, most notably via Corporate Social Responsibility (CSR) agendas, but mechanisms of responding or conforming to these pressures are understudied. Organizations struggle with combining CSR programs and financial responsibility to shareholders, but as the industry demands evolve, conforming with the prevailing identity norms in the form of responsibility has become inevitable in the quest for legitimacy. Some companies may use responsibility values as a marketing scheme for maximizing profit, while for others, these values are rooted deeply in the organizational identity (Martin et al. 2011, 575–577).

Identity research often focuses on psychological phenomena such as values and language use within stakeholders (He & Brown 2013, 8). According to Ran and Duimering (2007), building identity occurs by claiming certain desired and undesired values, positioning the organization in relation to these values, and creating internal transformation in the correct direction. Contradicting values within an organization, then, clearly complicate the process, thus deeming this point of view relevant for understanding hybridity. The identity creation process also includes the possibility of normative value proposition; decisions may be affected by how certain organizations should be, instead of how they actually are. The habit of introducing meta values as described by Alexius and Cisneros Örnberg (2015) can also be understood as a mechanism of evading the blatant polarity of values typical to hybridity. However, MacLean and Behnam (2010) describe organizational dissonance, which employees can experience either as a consequence of conflicting internal and external identities or organizational decoupling. This dissonance may lead to a legitimacy facade, which is both a reputational and a legitimacy risk (MacLean & Behnam 2010, 1515).

4.2 Decoupling

Dealing with external objectives contradicting an organization's core values is difficult. Decoupling has been suggested as a potential coping mechanism especially for hybrid organizations, making it an essential concept in hybrid studies. Alexius and Grossi (2018) describe decoupling as a strategic response to conflicting pressures and suggest two subtypes: micro-level organization-based and meso-level market-based decoupling. In organization-based decoupling, a compromise is achieved by symbolically adopting an external policy but

actually implementing a strategy that is more convenient for internal organizational routines (Alexius & Grossi 2018, 286–292). Corporate social responsibility (CSR) or compliance, for example, may be decoupled to its own department where responsibility is pursued and communicated as a genuine attempt to pierce the organization (Alexius & Grossi 2018, 291). However, according to Meyer and Rowan (1977), responsibility efforts may be confined to the CSR department and manifest as rationalized ceremonies to create powerful narratives for CSR and sustainability reports. This is to argue that structures in organizations mostly reflect the myths in their institutional environments instead of actual demands of the company (Meyer & Rowan 1977, 341). MacLean and Behnam (2010, 1500) claim that external stakeholders are actually inclined to grant legitimacy based on symbolic gestures: empirical evidence shows that announcing projects never to be implemented helps achieve legitimacy.

Although responsibility is, in a Swedish example by Alexius (2017), clearly emphasized before profits in the corporate strategy of state-owned gambling organization Svenska Spel, the practice proved quite different. The company made a clear strategic prioritization of “responsibility before profits”. However, in reality, responsibility was decoupled from the core operations and performed ceremonially, while training employees to desensitize their natural empathy towards gambling addicts; instead of bringing up worries of harmful playing, they were instructed to put up more pamphlets with helpline numbers (Alexius 2017, 469).

In market-based decoupling, legitimacy issues are solved by decoupled “accessories”, add-ons to solve responsibility issues in the original product or service (Alexius & Grossi 2018, 292). Such accessories may represent as responsibility stamps on certain products or even as separate attachments to increase the responsibility value of the product. Basically, an everyday act such as selling helmets to bikers is decoupling. Decoupling is especially relevant for hybrid organizations, as the conflicts in their goals are not temporary – organizations often find it difficult to sustain this type of response (Alexius & Grossi 2018, 292). Both examples are from the gambling field and thus obviously relevant for this thesis, but they may also be applicable to the alcohol retail field. Additionally, decoupling is closely related to consumer responsabilization, as consumers are then expected to make the choice between more or less responsible products, as long as they are both offered.

4.3 Consumer responsabilization

Explained by Shamir (2008), market-embedded morality refers to a phenomenon where commercial corporations are increasingly participating in tasks previously associated with the third sector, while public authorities and social enterprises are increasingly adopting business-like operations. Morality is embedded in capitalist markets, as previously purely profit-focused organizations are also becoming moral actors, but additionally, it includes the economization of morality (Shamir 2008, 3). It has been both praised and criticized in social sciences (Alexius & Grossi 2018, 290). Importantly, it introduces the question of whether providing the consumer with a responsible choice among others is enough for performing social responsibility and achieving legitimacy.

The concept of responsabilization is rooted in a neoliberal context. As a consequence of market-embedded morality, it assumes an autonomic, rational, self-determined subject with moral agency (Shamir 2008, 7). Alexius (2017) describes responsabilization as a tool of shifting the dynamic of government, private sector and consumer responsibility distribution; the emphasis on individual consumers is based on their empowerment to make rational choices and self-regulate risks related to their actions. Regarding addiction-related consumer responsabilization, addicts are expected to act rationally and self-sufficiently to handle problem gambling, while the company can proclaim responsibility and preventative measures. In fact, according to Alexius (2017, 472), the aim of CSR measures across the gambling field is consumer responsabilization.

Alexius (2017) describes a hegemonic responsibility order dominating the gambling field, and possibly also other policy fields, which involves two ways of shifting responsibility towards the consumer. Direct consumer responsabilization methods target the consumers, primarily to provide preventative information and self-help tools, usually online. These are, for example, different helplines that require the consumer to realize and admit to having trouble self-regulating. Indirect responsabilization targets middlemen and teaches them to protect this hegemony, basically amplifying the direct responsabilization message. An example recognized in the gambling industry involved coaching casino workers to unlearn empathy towards gamblers to increase consumer responsabilization (Alexius 2017).

4.4 Collaboration

Austin (2000) reviews the research on collaboration to be mainly focused on the motives for collaborating: for example, resource dependence, legitimization, efficiency, and strategic collaboration. Austin (2000) also theorizes different collaboration stages. The first stage is philanthropic, where collaboration is only a minor, peripheral part of the business with not many exchanges, and does not involve the management. The second stage, transactional collaboration, is mutually beneficial and includes value transactions. The third stage is integration, where the parties have a unified identity, a sense of an “us”, despite being practically different organizations. They also distinctly imprint on each other’s organizational identities (Austin 2000, 73–76).

According to Savarese, Huybrechts and Hudon (2020), collaboration between “dominant-logic organizations” has been researched quite extensively. It is cooperation between organizations with different goals and institutional logics, that is, the more traditional type organizations. This type of collaboration is very well-founded, as the actors are often in the opposite ends of a value spectrum, and their goals are different and often very conflicting. The logic is very apparent in the case of a for-profit organization financially supporting a non-profit organization; the other has financial goals and increased expectations of CSR, while the other has experience and a vision of how to best achieve social goals (Savarese et al. 2020). At this point, it is generally understood that the traditional-type organizations are not this simple or black-and-white anymore, so this classification is merely for the sake of clarity and accentuating the differences between mainly one-logic and pluralistic organizations.

However, as Savarese et al. (2020) studied specifically collaboration between hybrid organizations and dominant-logic organizations, focusing on social enterprises. They argue that characteristics of collaboration between hybrids and more traditional organizations is fundamentally different. This is due to the complexity and pluralism of the goals of a hybrid organization: the dynamic of the collaboration is changed when they are not at the opposite ends of a spectrum. When the organizations share one aligned logic, but the hybrid has a conflicting second logic, the collaborations, are then not actually “cross-sector” or “same-sector” (Savarese et al. 2020).

Savarese et al. (2020) reviewed that this type of collaboration between hybrids and one-logic organizations, depending on the relationship between the logics, may threaten the “hybrid balance”, either by isomorphic pressure if the aligned logic strengthens in the hybrid, or by

delegating the aligned logic to the dominant-logic organization. It may also be possible that the hybridity increases if the close collaboration allows for both organizations to acknowledge both logics – potentially even partly hybridizing the dominant-logic organization. The analysis by Savarese et al. (2020) determined that there are different collaboration types, which have the potential to decrease or increase the internal tensions of hybrid organizations, which is why collaboration qualifies as a coping mechanism in this thesis.

5 State-owned monopolies

This chapter first reviews the basic idea of state-owned enterprises and monopoly structure. Second, alcohol and gambling regulation will be introduced, concentrating on Finland. This also includes a short summary on Alko and Veikkaus, the monopolies at the center of this thesis.

5.1 State-owned enterprises

State-owned enterprises are a significant phenomenon globally – 300 000 firms around the world are estimated to be state-owned (Bernier, Florio & Bance 2020, 13). These companies are defined in a multitude of ways, most of which center somehow around ownership of 50 percent or smaller but concentrated stakes. This definition does come with the notion that ownership does not always guarantee control and vice versa. Governments always have indirect influence over industries and therefore companies, too, but the control in this definition refers to direct influence (Bernier et al. 2020, 3).

State-owned organizations function in the market environment with strategic public policy goals (Bernier et al. 2020). Public mission is a relevant element in state-owned companies, as the state would otherwise only be a passive owner. Governments can outsource public services either to liberalized market arrangements or monopolies, which are then controlled by public entities. State-owned firms are usually separated financially from the state and autonomous: if a ministry was responsible for the practical decision-making, the enterprise would only be a token legal arrangement. Additionally, permanent monopoly structure can be used as a policy tool (Bernier et al. 2020, 3–6), which is the core purpose of the monopolies in this thesis.

5.2 Monopoly structure

A monopoly is a situation in economics where only one actor dominates the market. This actor can, then, alone determine market prices and supply. According to Mankiw (2020), there are ‘barriers to entry’ preventing other actors from entering the market of the monopoly. These barriers might be for example legislative or technological. For some markets, the economy of scale is so significant that the only way to bring the cost of production down is to concentrate the sales to one market actor, thus leading to a natural monopoly (Mankiw 2020). From a profit perspective, it is expedient for companies to gain the majority of market forces

and thus monopoly-like status. From a competition economy perspective, monopolies are not rational as they distort prices and the relationship between supply and demand (Pitts, Prien & Kamery, 2003).

Simpson (2010) claims that monopolies cannot even arise in free markets, but instead are always a product of political interference. In fact, monopolies are often created due to the government giving one company an exclusive right to the production of a good or service. This is due to perceived benefits related to the monopoly status. (Mankiw 2020, 317–319) Monopoly is a basic structure used for organizing public services, and therefore it is relevant for the government to manage them accordingly to ensure the profits are not distributed privately, but rather used for public benefit (Warner & Bel 2008, 732–733). One example of such benefit is controlling public health risks related to harmful substances, which is at the core of this thesis, and makes these addiction-related monopolies good examples to study.

Hybridity arises in state-owned enterprises as a consequence of their public mission. According to market logic, these companies do need to produce financial results, but the public mission creates a crossfire of expectations. According to Bruton et al. (2015, 93–94), evolving to hybridity is why state-owned enterprises have continued to thrive despite changes in societal circumstances and increasing privatization. However, Bruton et al. (2015) see hybridity as strictly a mixture of public and private ownership, thus excluding entirely state-owned monopolies; in this thesis, the hybridity originates from their position in the addictive substance industry, where monopolies actually have clearly conflicting duties despite being fully state-owned. Monopolies have not been studied from a constitutional hybridity point of view, which is why this study is relevant.

5.3 Alcohol regulation

A government monopoly is typically a Nordic way of governing alcohol sales to minimize alcohol-related problems. It has been associated specifically with Canada and the Nordic countries, excluding Denmark, though there are different levels of regulation. In North America, for example, there is an ongoing trend of privatizing alcohol retail sales, and consequently, states and provinces currently have a variance of policies from private competition to public monopoly. In the European Union, the pressure to harmonize policies has increased the debate around the Nordic monopolies (Stockwell et al. 2009, 1827).

Alcohol monopolies are proven to reduce the harm alcohol causes in society. This is due to reductions in outlet density, sale hours, and selling to minors (Miller et al. 2006, 1162).

According to a U.S. study, states with some monopoly status in the alcohol industry also experienced less underage and binge drinking (Miller et al. 2006, 1166). This may be due to the more rigorous compliance with alcohol legislation by monopolies, especially with the supervision of age limits. An important benefit of an alcohol monopoly is the lack of fluctuation with the market forces, as prices and selection will generally stay the same, which may help prevent the forming of high-risk drinking environments by not allowing differentiation (Stockwell et al. 2009, 1827–1828). Privatization of liquor stores has, according to previous studies, led to increased alcohol consumption by increasing outlet density, although drinking also increased in on-premise outlets, suggesting that the effects of demand fluctuation are significant (Stockwell et al. 2009, 1834–2835).

According to Österberg, Lindeman and Karlsson (2014, 243), all cornerstones of the Nordic alcohol control policy, i.e., availability, monopoly, and prices, have been weakened in Finland in the last decades. More recently, alcohol consumption rose significantly as a result of neighboring country Estonia joining the EU in 2004 due to its cheaper alcohol prices and easy accessibility from Helsinki. Alcohol-related harm saw a similar development. Since then, advertisement was tightened and Alko's opening hours adjusted. Karlsson et al. (2020) stated that another turning point came with the Alcohol Act of 2018, as the monopoly status was weakened by some deregulation of grocery stores and on-premise sales, while taxation was increased – for example, the allowed amount alcohol by volume (ABV) of drinks sold in grocery stores was raised to 5,5 ABV and on-premise serving hours were expanded. In 2018, the downward trend in alcohol consumption also broke despite the tax raise (Karlsson et al. 2020, 1). Satisfaction of current alcohol policies has been quite stable among Finns; the majority have been mainly happy with the situation, although throughout the decades liberal and conservative attitudes towards alcohol policies have fluctuated (Österberg et al. 2014).

The Finnish alcohol monopoly Alko has a long history in Finland, ever since the probationary alcohol law was repealed in 1932 (Alko 2021). The Finnish alcohol market has traditionally been arranged by a monopoly solution; according to The Ministry of Social Affairs and Health (STM 2021), who supervises the monopoly, it is a significant policy tool among for example, increasing taxation, controlling advertising, and limiting sales hours. Its task and operations are assigned to it by law (Alko 2021). Alko brings income to the state in alcohol taxes and profits. Alko's profits are not ring-fenced for any specific purpose, so the government can use them as a normal part of the budget.

5.4 Gambling regulation

While the European Union (EU) supports free competition, gambling can be arranged by a monopoly structure if it is necessary and functional specifically for decreasing harmful playing and gambling-related concerns, both in the society and for the individual (Selin 2016, 201). Gambling differs from other often restricted fields in the way that it produces very high profits due to the low cost of production and overconsumption of those who play excessively: gambling is recognized as a behavioral addiction (Young & Markham 2017). Many states are also trying to keep the profit from flowing abroad, which is typical for the gambling industry due to the ability to play online.

Contrary to other Finnish monopolies, Marionneau and Hellman (2020) note that Veikkaus' monopoly has been strengthened in the previous years, as three separate monopolistic actors (RAY, Veikkaus and Fintoto; slot machines, lottery and horse betting) were merged into one united Veikkaus. The merger was justified politically to provide better supply and profits to beneficiaries. The difference to alcohol policy-making is that all stakeholders participating in the public discussion, including civil society organizations, have an interest in conserving a gambling monopoly in some form. Before the merger, which happened in 2017, competitiveness of the gambling organizations against foreign market intruders was a significant point in the public gambling discussion, unlike with Alko, whose purpose is to decrease competition (Marionneau & Hellman 2020). In other Nordic countries, studies have shown that gambling monopolies are maintained due to established financial interests that are hard to compensate for elsewhere (Jensen 2017).

Gambling monopolies have recently adopted market-led ideas of responsibility, examples of which are the increasing CSR measures and responsibility reporting (Selin 2016, 201). The Finnish gambling industry has also launched ambitious responsible gaming programmes, designed to provide preemptive help for when playing starts to become problematic. These player-protecting schemes have also been used to justify the monopoly to the EU by incorporating them into the business model, safeguarding responsibility while also strengthening the monopoly (Cisneros Örnberg & Tammi 2011). According to Young and Markham (2017, 2769), the political exploitation of gambling is even based on an idea of harm maximization, where the most problematic players are allowed to play as much as is socially acceptable to produce adequate profits: the gambling industry should only interfere when problematic gambling comes too close to public resistance.

In gambling monopolies, the discourse supporting the monopoly implies that gambling addiction is not as severe as claimed or that there is budget-wise no alternative. Freedom of choice is argued as to not discourage capitalistic acts by consenting adults, and consumer surplus principle argues that players gravitate towards gambling and benefits, primarily profits, outweigh the negative consequences (Smith & Campbell 2007, 94). Canadian gambling policy was claimed to respond to profit maximization by ignoring human suffering and increasing lack of sympathy towards gambling addicts to justify the position - the previously mentioned extreme argument accusing governments of gambling addiction is the end result (Smith & Campbell 2007, 97).

According to Alexius and Grossi (2018), the message by the Swedish state-owned Svenska Spel to “play in moderation” (“spela lagom”), which can be interpreted as an encouragement to not play too much, but not too little either, was in fact very deliberate. The CEO at the time defended the choice of words: “how else was the state-owned lottery going to fulfill its dual mission of profits-making and social responsibility?” (Alexius 2017, 467). This example further underlines the balancing act of needing to minimize the most harmful playing, but not affording to lose any less risky players, either. It is reasonable to assume the Swedish example can be somewhat generalized to fit the Finnish society as well, considering mostly similar culture and demography, but this is nonetheless a relevant topic to be studied in the Finnish context.

According to The Ministry of the Interior (Intermin 2021), the Finnish gambling monopoly Veikkaus is a combination of the previous Veikkaus, RAY (Finnish Slot Machine Association) and Fintoto, merged in 2017 to form the current monopoly. Veikkaus’ responsibility is to arrange and sell lottery, gambling and betting games in Finland, supervised by The National Police Board. While it is completely state-owned, its monopoly status is unusual, as online gambling allows players to also play for different foreign organizations. Finns have a high annual spending on gambling, the availability of games is relatively high, and lifetime prevalence of gambling is over 90% (Selin 2016, 201). A majority of Finns think that a monopoly is a good way to organize gambling, around 11% of Finns play at a level that is risky, and around 3% have a gambling problem (THL 2020). Veikkaus’ profits are distributed by law to the Ministry of Education and Culture (53%), Ministry of Social Affairs and Health (43%), and Ministry of Agriculture and Forestry (4%).

6 Method

6.1 Research problem

Based on the rather scarce previous literature, hybrid organizations need to be researched more to understand how they handle the crossfire of expectations. Previous studies focus significantly on the hybridity of private/public, which is an angle also taken in the state-owned enterprise research. Thus, the monopolies of harmful substances have not been studied before from a hybridity viewpoint. The concepts of decoupling, responsabilization, and organizational identity touch upon the mechanisms these types of organizations may use to cope with conflicts, but they have not been studied in the Finnish monopoly context, which is a relevant group for finding examples of them.

This thesis focuses on the tensions the state monopolies Alko and Veikkaus face as organizations with hybrid characteristics. Their contradictory duties are decreasing harm caused by alcohol and gambling, while simultaneously producing these services and receiving profits. As a state monopoly, social responsibility is substantial, which underlines the need for research in this area. As per hybridity, this contradiction creates internal tensions, which different hybrid organizations handle differently. Therefore, the essential research problem is what kinds of tensions and expectations are involved in the hybrid role of a monopoly actor with substantial social responsibility and the selling of a potentially harmful substance. This divides into the following research questions:

Q1: What kinds of conflicting expectations do the Finnish monopolies face?

Q2: What kinds of mechanisms for coping with the conflictions are found in their reports?

6.2 Research method

Hybridity in the Finnish monopoly context has not been studied before. As the phenomenon is experience-based, it is best approached qualitatively. Interviews are useful for gaining information by either interviewing new people on a well-known subject or questioning people on a new subject (Barbour 2008, 114). Considering the understanding of hybrids is still somewhat scarce, it is relevant to gain new insight. Additionally, even though the hybrid nature of state-owned enterprises has been recognized in previous literature, the knowledge of their functioning in the crossfire of expectations has not been noteworthy studied, especially in the Finnish context. This research also touches up on institutional logics, about which Thornton et al. (2012, 145) suggested more qualitative research is needed, as it is ultimately

about meaning making. Interviews are a way to approach the research problem from multiple angles to form a bigger picture of this specific phenomenon. In this study, interviews were the starting point to see what kinds of themes arise. They were utilized as a test to the literature-oriented research scheme and to recognize what to look for in reports, as the amount of public data to process is massive.

The monopolies in question were chosen due to their clear hybridity: the purpose of the companies is inconsistent with their function. This provides interesting circumstances for studying hybridity. Hybridity-related issues may also be more easily visible in these types of organizations.

There are only two state-owned monopolies in Finland, so the total number of potential interviewees was naturally low to begin with, which is why a completely interview-based research model was not possible. The interviews were semi-structured and themed to ensure both staying on relevant themes research-wise and ensuring the participants, experts in their field and organization, were able to bring up anything they deemed relevant. Individual actors are also responsible for organizational action and thus institutional action according to the institutional logics approach, meaning individual agency and individual expert opinions are relevant (Thornton et al. 2012). Semi-structured interviews let the participant determine the direction instead of the researcher, who has no prior knowledge of the answers and what to focus on (Barbour 2008, 119).

As this research also centers around the organizations, it is relevant to take a look at how they define themselves and plan going forward. Therefore, annual reports are a good way of determining the direction of the organization. Considering the monopolies are in the crossfire of selling harmful substances and trying to minimize the harmful effects, their responsibility reports are also relevant for this research - responsibility is often at the other end of the scale. Qualitative content analysis (QCA) is an appropriate method for describing the meaning of qualitative material systematically (Schreier 2012). According to Gläser-Zikuda, Hagenauer and Stephan (2020), the method is best suitable for analyzing interviews, but it can be very successfully applied to documents, too. It includes categorizing and coding to describe and interpret textual material. QCA is systematic, flexible and reduces data, which is important when handling long documents such as annual reports; not all data is relevant.

First, all data is processed with the research questions in mind. In this study, the interviews helped with this stage, as they clarified the focus of the research questions – in this case, the

interviews narrowed the harvesting process down to tensions and coping mechanisms. After relevant data is harvested, it needs to be coded into new categories with the right balance between the abstraction of the research problem and the concretion of the material. This produces new information that can be compared between cases (Schreier 2012, 1–8). Coding, a step in QCA, is also a method on its own, but creating and applying categories differ between the two. In QCA, codes are partly data-driven and partly concept-driven, and the procedure is linear with cyclic elements. Creating and applying codes are also different steps, and one instance can only be coded once. In this study, the harvesting process was concept-driven, in accordance with previous literature and the interviews. The coding step included both: some codes were already found in the literature, some emerged from the data.

Other potential research methods were considered; to be specific, interviews and questionnaires. As mentioned earlier, interviews provide a significant amount of expert information, but in this case, the group of organizations studied is very niche and the number of people able to provide information is low to begin with. Therefore, one interviewee from both companies was a decent contribution for a study this small. Additionally, as the theme deals with stakeholders' expectations, stakeholders could have been interviewed or approached with a questionnaire. The variety of stakeholders, however, which is at the core of the research questions regarding hybrid monopolies, proved to be complicated. In state-owned businesses every Finnish taxpayer or customer is a stakeholder. Interviews were then selected to help build the premises for the easily available and highly relevant report data.

6.3 Data collection

Interviews were conducted with the public affairs manager at Alko and the stakeholder manager at Veikkaus, respectively. Both interviewees have a relevant role in the interface of different interests and expectations. The interviews were conducted in December and February. Interviews were recorded with permission, and both interviewees agreed to be referred to with titles in this thesis. This allows them a sense of anonymity, as their name is not explicitly in the text, even though it is possible to track down names based on the titles. However, titles are relevant to the interviewee's expertise, so it would be impractical to anonymize them completely. The contribution of the interviews was mainly finding themes rather than drawing conclusions, as the sample was too small to be generalizable.

The interviews included three themes represented in the research questions: accountability, tensions, and organizational identity. These themes emerged from previous research as

important aspects for managing conflicts internally and externally. Interview questions were the same for both interviewees, but additional questions emerged during the interview. The first interview was conducted physically at the Alko headquarters, but the latter had to be carried out on the phone due to COVID-19 pandemic. Interviews were done in Finnish.

Annual reports, often already including responsibility reports, were readily available at the organizations' websites. All annual reports and newer responsibility reports were available in English, which was an advantage for this thesis, as they did not need to be translated to provide quotes for the results. At the time of data collection, 2020 reports were not yet available, so the collection began with 2019 and 2018. The latter was selected based on the interviews, which had been done first, as it occurred Veikkaus went through substantial internal changes between those two reports. Also, as Veikkaus, RAY, and Fintoto merged in 2017, older reports were trickier to examine from the viewpoint of one united Veikkaus. Relevant data was harvested from the reports by color-coding it according to the interview themes. Then, these parts of the documents were retrieved, after which they were re-coded by emerging themes.

Later, to ensure data saturation, this was repeated to 2015 and 2017 reports, which were also used in the analysis. This time for the sake of clarity, only the pre-merger Veikkaus' reports were considered for 2015, which was chosen simply due to a lack of Veikkaus' responsibility report for 2016. The same year reports were chosen for Alko for clarity. The data was deemed saturated enough as no previously unidentified themes or new angles arose in these earlier reports. Corporate Social Responsibility reports before 2017 were also considerably shorter in general, not granting very much data per year, suggesting the observation window was sufficient at that point.

6.4 Data analysis

Interviews were, as mentioned earlier, recorded with permission from the interviewees and both interviews were transcribed. For the phone interview, a third-party phone call recording app was used. Already in the transcribing phase, any unrelated conversations were left out: for example, a chat about the researcher's previous work experience was not transcribed at all as it was irrelevant to the topic at hand. Literature-based interview themes proved relevant and were thus reused as themes to retrieve in the public online documents. The documents were coded according to these themes.

After retrieving the data from the original annual and responsibility documents according to the interview themes, the instances were coded again post hoc with both literature-driven themes and new themes emerging from the data itself. An instance consisted of at least one sentence, often several. Afterwards, the remaining uncoded instances were looked through for any similarities, which formed a last theme of collaboration. Thus, practically every retrieved piece of text was included in some theme. The final themes were tensions, justification, collaboration, decoupling, responsabilization, and organizational identity.

After going through the report data, the themes that emerged from the documents were also applied to the interview transcriptions, where they were also found. The data pool was nonetheless quite small, although in line with the size of the study. Therefore, these measures were taken in the analysis phase to increase the validity of the thesis.

7 Results

7.1 Tensions and challenges

The tensions hybrids face, which is at the core of the first research question, were apparent in the research data. Both monopolies had noted that the stakeholders' expectations were becoming increasingly demanding. The legal obligation of both companies is to actively prevent the harmful side effects of consumption. To be specific, Veikkaus' duty is to prevent gambling problems and related social, financial and health issues, while Alko's mandate focuses on decreasing alcohol consumption overall, since the amount of alcohol consumed directly affects the amount of public health issues. Meeting stakeholders' expectations was acknowledged as a main goal. The megatrend of responsibility has kept rising and consumers are demanding responsible operations from companies, considering state-owned businesses have an even more essential role as responsibility pioneers. The hybrid role, that is caused by providing the service they are required to control, was thoroughly recognized in the organizations' material, although not by the same terminology used in hybrid research, but in business terms, as seen in these examples below.

“Even though Alko's role seems in some occasions contradictory, stakeholders are increasingly expecting Alko to communicate actively about moderate use of alcohol and its influence on health and well-being.” (Alko 2018 annual report, p. 5)

“The company's revenue will be less in focus in the coming years. We will try to take into account society's expectations as widely as possible whilst responding to the demands of the changing operating environment.” (Veikkaus 2019 annual report, p. 7)

Alko's communications emphasized their broad-ranging responsibility areas and a mission of being the most responsible alcohol seller in the world. The company does not aim to maximize alcohol sales, but instead argues that alcohol sales is about more than an individual freedom to drink, as its consequences of social and health-related harm are also seen on a societal level. Reducing alcohol consumption is based on concrete actions and the mere existence of the monopoly. Responsibility is measured based on the following points: acting in a correct and responsible manner, considering the society and environment, and producing societal benefit through business operations. Stakeholder relationships are considered important especially as it includes listening, which Alko finds essential specifically in state-owned companies. The ever-increasing expectations include customers' tastes and shopping preferences as well as political decision-makers, authorities, suppliers and the media.

In 2018, Veikkaus' reports have a different angle compared to Alko; the language used resembles more that of a traditional private organization operating with business logic. The importance of reducing gaming-related harm is not ignored or forgotten at all, but it is discussed along with competitiveness and projected profit, thus highlighting the hybrid role without explicitly stating it, unlike Alko's reports. They do recognize responsibility as a major reputational risk – a scenario that already in 2019 realized in the form of a reputational crisis regarding commercials that were understood as an encouragement for unhealthy gambling. This raised a major public discussion about gambling problems and the state of the monopoly. However, while responsibility was always an important part of Veikkaus' values, the target of CSR measures is not only the beneficiaries but also the players. The difference in language between reports of 2018 and 2019 is apparent and demonstrates that hybridity can be a reputational risk:

“We are working to overhaul Veikkaus' cost structure to correspond to the development in order to ensure our future competitiveness, thereby securing funds to our beneficiaries. In the coming years, we will focus on investments that support Veikkaus' competitive monopoly.” (Veikkaus 2018 annual report, p. 3)

“The company's revenue will be less in focus in the coming years. We will try to take into account society's expectations as widely as possible whilst responding to the demands of the changing operating environment.” Veikkaus 2019 annual report, p. 7)

Both monopolies were aware of the balancing act and a very wide range of stakeholders. However, their stakeholders are somewhat different: profit from Alko is not ring-fenced for any specific function and will be used for whatever the state needs it for, while Veikkaus' profits are divided for certain beneficiaries so that any changes in revenue will directly influence that of beneficiaries. Alko competes with grocery stores and foreign actors, but the competition is not a viable threat to the monopoly: Alko still has an exclusive right to over 5,5 ABV drinks, i.e., wine and liquor, and ordering abroad includes having to arrange shipping separately for legal reasons. Veikkaus has an exclusive right to physical casinos, lottery, scratch cards, and electronic gambling machines, but online it has to compete with foreign casinos where playing is easy from Finland. This means that their challenges are also different.

“Alko's operations have an extensive financial impact on stakeholders and society, and this financial responsibility is an important aspect of the company's operations. Operational efficiency is a must if we are to achieve a sustainable financial result.” (Alko 2019 annual report, p. 71)

Efficiency is a common value in both companies, and the above quote captures well what it is about for state-owned businesses. Alko's report mentions an objective to be as efficient as any other specialist company and safeguarding profitability in a changing environment by ensuring efficiency. Veikkaus' 2018 report mentions efficiency as a tool that helped generate projected profit, while the 2019 report conveys the same message but from the perspective of survival in a changing situation – a narrative similar to Alko's.

7.2 Legitimacy and justification

For hybrid organizations, justifying the conflicted existence runs through annual reports and especially responsibility reports, and is closely related to the tensions caused by hybridity. Although state-owned monopolies generally do not go bankrupt as they have a specific public duty, they still need to justify their existence to maintain the acceptance of the public. Both companies also accentuate both the approval of political actors and the general public. Alko has an advantage regarding the exclusive right, considering it is easier to buy alcohol nearby rather than order online; in contrast, Veikkaus loses customers to online casinos and thus needs to also worry about competitiveness.

“Another central factor in Veikkaus' future success is Veikkaus' general acceptability among people.”
(Veikkaus 2019 annual report, p. 27)

For Veikkaus, especially in 2018, responsible gambling is essentially about playing its games instead of competitors' games, and the above quote from the 2017 report is an example of how they view responsibility as an integral part of the company to ensure successful business and stakeholder support. A certain amount of profit was expected, which is one aspect of preferring Veikkaus' games over foreign competitors' games. However, the main point is that Veikkaus' games go through such a tight responsibility screening before being published that they are safer to begin with, compared to offshore competitors. This impression justified trying to increase playing for a certain amount as long as it is Veikkaus' games and not way too problematic. Responsibility towards players who are addicted to these “safer” games took a back seat.

The justification for increasing unproblematic gaming was visible in other ways in Veikkaus' 2018 plans. There seemed to be a need for a certain amount of playing, which was justified by the societal benefits that can be financed with the gaming profits. It is, according to this logic, vital for beneficiaries that people keep playing. Also, the more that is played, the more money is distributed for good causes such as science, art, and education. This was also the basis for

marketing: lottery and other low-risk games can be advertised to increase their consumption while games deemed more addictive cannot. Similarly, marketing to increase non-problematic gaming is acceptable. Customer segmentation was utilized to avoid marketing to problem players and correspondingly to direct it towards casual players. One marketing goal was to assure the society that playing is important for both the players and Veikkaus – players are going to play, whether it be at Veikkaus’ or foreign actors’ casinos. The below quotes provide examples of how this narrative was built throughout the reports.

In addition to exclusive right obligations, the responsibility management strives for a steady rise in profits and a responsible brand image. These factors ensure the operational preconditions for the beneficiaries of Veikkaus’ profits. (Veikkaus 2017 responsibility report, p. 7, translation by author)

“Unlike other operators in the field, Veikkaus has always had a mission – generating funds for the common good. – Further, we are involved in Finnish life in many ways through our revenue. (Veikkaus 2019 annual report, p. 11)

Alko’s reports did not show the aforementioned justification in a similar way; there was no indication of adding any unproblematic consumption, although guiding customers towards alcohol-free and low-alcohol choices was preferred. However, Alko did also use rhetoric to emphasize its importance in the Finnish society in a similar way to Veikkaus. While Alko’s profit is not reserved for specific purposes, its charitable, non-profit nature and role in helping build the society was nonetheless noted. Serving the Finnish welfare society was specified as a goal and the profits were instanced to benefit everyone living in Finland. Research was used as expert opinions to gain legitimacy: it was noted that the policies currently employed, including retaining the monopoly, are scientifically proven efficient actions for decreasing alcohol consumption and harm.

7.3 Organizational identity

Organizational identity has been suggested as an explaining factor for handling internal conflicts, which hybrid organizations supposedly face more of than traditional organizations. Identity cannot be very easily examined on the reports, but they did offer some insight to the outward communication of identity. However, the background interviews were more relevant and thus utilized only for this theme, and although they only included one employee’s perspective, the interviewees worked in a position where they have an excellent view of the conflicting expectations and internal processes.

Veikkaus’ identity has dealt with many changes in recent years considering there was a significant merger. All three companies were already monopolies in their respective fields and

became an even bigger state-owned monopoly. Mergers cause internal difficulties in non-hybrid fields, too, but this new gambling monopoly induced a lengthy public discussion and involved RAY and Fintoto, which were previously association owned. Newer reports include a strong narrative of being involved in the Finnish life in many ways: culture, science, sports, and education are supported with the profits Veikkaus makes. It is therefore good for the Finnish society to finance these respected industries by playing lottery games regularly – Veikkaus is a benefactor who only distributes the funds. This narrative changed, though, in 2019, as the monopoly had to face the responsibility towards the players in a new way as a result of public discussion, which would make such the previous narrative look unethical and capitalizing. The same change of identity due to external pressure was recognized in the interview:

“It [Veikkaus] has been involved in the Finnish society for so long, and the idea of doing good, or producing funds for a good purpose, used to be more emphasized in a way. And now, there’s pretty much been a big shift, that nowadays the responsibility is talked about more.” (Veikkaus’ stakeholder manager, translated by author)

Overall, responsibility was raised to the top of the priority list, and though it was the cause of reputational challenges, it was also recognized as the fix. Veikkaus’ image took a hit with the marketing stir, as the percentage of people considering Veikkaus to be a responsible company decreased. The balance between profitability and responsibility was also named as a major challenge to keep an eye on.

Alko’s newer reports offer more insight into the identity versus a couple years back; privately owned companies’ CSR reports have increased in popularity over the last few years, and Alko does specify that consumers have more interest in responsibility themes overall. Alko was founded in 1932 and has always been a state-owned monopoly with a control function – its identity may be more established simply due to less changes within the company. In the data, operating environment changes were described as a positive challenge to develop, but further changes were not in sight. The relationship between profits and responsibility was not discussed in the data, aside from one yearly mention of also keeping an eye on profitability, suggesting that Alko struggles notably less with the conflict. In the interview, the role and identity of the company seemed to be clear:

“Our duty is to decrease alcohol-related harm via our role, and it’s based on the basic task so that when the operating logic is different, it decreases the harm compared to another way of sales, here being market-based sales. So it combines both [selling and controlling].” (Alko’s public relations manager, translated by author)

The role of a state-owned company was also identified as needing to treat all stakeholders equally, which had also become included in the company culture. An important factor in this sense was also the fact that suppliers are treated the same, and it is not possible to pay their way into the selection, for example. The below quote demonstrates how the more established role has made it easier to fulfil the state-owned monopoly duty:

“We treat everyone equally, without discrimination. [--] I think, when it’s been done for quite long in the company history, it has become sort of a cultural characteristic for us, that it’s pretty natural to also treat everyone else equally, without discrimination, such as our partners and stakeholders. That it’s kind of become a part of working for Alko.” (Alko’s public relations manager, translated by author)

This suggests that the contradicting role is also included in the identity, as the monopoly status has been relatively unchanged for almost 80 years. For Alko, it is natural to focus on customer service and responsibility, while profitability issues may be solved with cutting expenses or improving efficiency. A relevant difference, though, is that Alko has not had performance targets by the owner in the way that Veikkaus did.

7.4 Decoupling

7.4.1 Market-based decoupling

In Veikkaus’ communication, the aspect of international online competition was dealt with the logic of market-based decoupling. Gambling in Finland and online on Veikkaus’ website guaranteed a more responsible and safer environment compared to international competition. Merely choosing Veikkaus as the medium for playing added a stamp of responsibility for the consumer, not least due to the rigorous evaluation process every game needs to go through before being accepted. It also keeps the profit in Finland and distributes it to good causes, for the benefit of Finns, which is not only a justification for the existence, but also another responsibility clause for the benefit of Veikkaus, as seen in this example:

“Veikkaus competes over customers’ time against global online gaming provision. Our share of the total market in Finland is ca. 90 percent. By offering a versatile range of games, we want to direct gaming towards responsible domestic channels.” (Veikkaus 2017 annual report, p. 3)

The responsibility-focused website (pelaamaltilla.fi, “play in moderation”) is separated from the core product and online gambling website, which is one way of decoupling addiction from playing. The gaming system does also include many virtual aids for stopping immediately, taking a longer break and restricting one’s own spending. The website was launched in the end of 2017, along with a campaign beginning in 2018. Game control tools are also a

decoupling mechanism, where an additional responsibility accessory is provided without changing the product or service itself.

Another example of decoupling that was found on Veikkaus' documents was the increase of identification on slot machines. This was advanced from the previous plans due to the commotion caused by advertisement, as it is specifically an action towards the players, who they realized had not received as much attention compared to the responsibility towards the society and beneficiaries. Besides identification, Veikkaus had an internationally ambitious responsibility project regarding digital playing control measures such as money transfer limits, voluntary time-outs and a self-evaluation game test for reaching the next loyalty level. All possible game control tools are available by identification, which was already compulsory online, and now also on decentralized slot machines. Identification enables better directed responsibility measures, but also a better customer experience, which translates the ability to play in an easy and satisfying way.

Alko's reports also signaled about responsible products, although in this case, responsibility is related to responsible production. Low-alcohol and non-alcoholic products have increased in interest, but these products are not decoupled, as they quite literally are the core product modified to be free of risks. It could be argued that responsibly produced products fall into the category of decoupling, as instead of changing core products to be more responsible for example by lowering all ABV percentages, the company is offering them as an accessory. In this case, however, the difference is that Alko is an importer and reseller of (also foreign) products – it is not producing more and less responsible products simultaneously and has little say over customary alcohol production measures.

Many of the decoupling mechanisms include an online component, which is less relevant for Alko as a seller of physical products, nonetheless partly via an online store. Considering websites, Alko did not have a separate website for problem users, so all the resources are available at their regular website. Some of the product labels refer to a separate site called kohtuullisesti.fi (“with moderation”) with additional resources and information, but it is maintained by a brewery industry association.

7.4.2 Organization-based decoupling

Organization-based decoupling is a way of separating the responsibility unit from the rest of the functions, which then eases the pressure of combining the contradicting areas of the

organization. There was not very much evidence in the data to hint that this would be the case in these two organizations, although some changes did happen during the examination period.

In Veikkaus' reports, it is emphasized all the way from 2015 that responsibility is a point of view that is present in every function in the company. In 2018, the CSR unit that oversees, develops, and advises in responsibility matters, was transferred to a unit with customer control and business intelligence, with the thought of utilizing customer data for responsibility measures: recognizing problematic playing and aiming responsibility messages at the riskiest players based on collected customer data. Then again in 2019, the CSR unit was transferred to a Legal Affairs and CSR function and strengthened by the leadership of a vice president. Alko emphasized similarly that responsibility pierces all departments and employees instead of being decoupled into its separate projects. In 2019, Alko had a Responsibility Committee, previously Alcohol Policy Committee, that consists of members of the Board of Directors. There is also a working group for responsibility. Leaders of business units and support functions also lead the operative responsibility issues.

However, maybe a more relevant way of looking at potential decoupling is the strategic compensation; for what efforts is the management compensated. Alko's financial goal was efficiency, which was considered the base for a sustainable financial result. Alko also had responsibility measurements for the management, but no rewarding system based on financial performance. Veikkaus used to have performance targets that needed to be reached, and one had been prepared for 2019, as well, though responsibility was already a part of the rewarding system. Eventually the rewarding system still included a performance-based bonus, but it was supplemented with a CSR indicator for the management to ensure that gambling issues would not be worsened on the basis of making profit. Responsibility was decided to need to focus specifically on the players in the future.

"The criteria for the performance-based bonus common to all were the company's financial performance and digital gaming in view of the channelling mission. The rewarding system was revised in the autumn: it was supplemented with a CSR indicator for the company management. The indicator aims at ensuring that the company does not seek to make profit while increasing the harmful effects of gambling." (Veikkaus 2019 annual report, p. 36)

Veikkaus clearly went through many organizational changes during the merger in 2017 and then again after the public discussion in 2019 to bring responsibility more to the front. Also, switching the focus from responsibility towards the beneficiaries to responsibility towards the players seems to be gradually incorporated into the success measurements too. However, the

pre-merger reports of Veikkaus included the pursue for a sustainable growth, while Alko aimed at a sustainable result.

7.5 Responsibilization

As discussed earlier, consumer responsabilization may include enabling the problem user to seek help by having helping phone numbers up but not really encouraging to seek help unless directly asked, which raises the threshold for the user struggling with addiction, who may not be able to act rationally. This phenomenon could also include indirect responsabilization, where the employees are taught to protect the responsabilization process by unlearning empathy and helping instincts.

Alko's data showed reverse signs of indirect responsabilization - that is, the responsibility seemed to be embraced instead of passed on back to the consumer. Alko's customer service responds to concerns about alcohol use and receives additional training to do so properly. For example, in 2019, the company introduced additional competence development for helping customers with dementia. Though the role of the customer service is not officially to offer help, customer service feedback responses handled concerns related to alcohol use, both one's own and that of a family member, as seen in this example:

“Staff, customers and other stakeholders can also contact Alko's customer service about issues relating to sales supervision and the harmful effects of alcohol consumption, by phone, email and chat.

Customer feedback addressed topics such as sales supervision in stores and concerns about the alcohol use of family members or loved ones with substance abuse problems.” (Alko 2019 annual report, p. 42)

A concept called “The Concern Card” was introduced at the request of the sales force: it is a tool with contact information that the staff can give personally to the customer worried about their own or a loved one's alcohol use. Born out of the wish of the sales staff to offer concrete help straight to the customer, it goes beyond unlearning empathy or putting up flyers to signal that there is help available, if the customer is interested. It is also possible to set up a voluntary purchase ban agreement, either by the customer or a person close to them.

Veikkaus shows similar support to an addiction helpline, Peluuri in this case, to offer resources to players who do not feel in control of their playing anymore. Customers can contact Peluuri themselves or leave a request for the helpline to call back. Peluuri brochures are also available and visible at the casinos. Players are required to set up a limit for their spending, and also a loss limit for the most fast-paced games. The customers receive a playing session alarm every 60 minutes and can access a playing history, the purpose of which is to

provide information about one's own playing to help see if it becomes problematic and increase the player's control. The last resort is a game ban online or an entry ban to the casino, which the staff will supervise, although they do not have the authority to remove someone from the premises, meaning that the staff cannot actually enforce the entry ban. This is responsabilization by leaving complying with the entry ban to the addict, who may not be able to rationally constrain from playing, which is why they chose the ban in the first place. Cancelling the entry ban requires a returning discussion. The reports also state that the staff is available at the physical casinos to help with gambling concerns: in 2019, the staff engaged in nearly 500 gaming management discussions with customers.

When it comes to Veikkaus, decoupling in the digital environment is attached to responsabilization, as many of the aforementioned control attachments require initiative. The gambling addict needs to act rationally in order to ask for help or even realize their gambling is unhealthy to begin with, which is not easy with addiction. As discussed earlier, gambling is recognized as a behavioral addiction, comparable to drug or alcohol issues, even though the latter addictions include an addictive substance. However, the reputational crisis in 2019 changed the way of thinking: while responsibility was always an important part of Veikkaus' values, they attached responsibility to the society and the beneficiaries. This is a significant difference compared to for example 2015, when the goal was to be a responsible profit maker. Since the public discussion after the crisis, the company realized the responsibility towards the players, too, as the below example demonstrates:

“The company's mission is to offer Finns safe games and to prevent the harmful effects of gambling. We must acknowledge that we have taken part in the debate by talking more about our responsibility towards society than to individuals, the players. We now know that that is not enough.” (Veikkaus 2019 annual report, p. 11)

This is a challenge related to the digital setting, where playing is easy alone and out of sight. It brings significant challenges to preventive measures in cases where gambling is only beginning to become problematic without the player yet realizing, which is why helping customers see their spending habits and losses may be eye-opening. Digital applications are one of the few ways to intervene in this type of gambling. Responsibility towards the players and safe playing was raised to the top of Veikkaus' new strategy at the end of 2019. Therefore, offering tools to those who want or need more control of their gaming is a relevant strategy, though previously also recognized as a decoupling method.

7.6 Collaboration

Collaboration with a variety of stakeholders and experts, including researchers as mentioned before, was a theme that stood out specifically in Alko's communication. This cooperation is not only financial in the form of producing profit and directing it toward research, though that was also one way of creating value for stakeholders. Alko also created engagement by cooperating with different associations and organizations to achieve strategic goals related to the dual mission of selling alcohol and reducing consumption-caused harm. This was acknowledged thoroughly in the data. The quote below offers an example:

“In addition to key stakeholders, there are a number of other actors with whom we can cooperate to have a greater impact than we would alone. Alko works with a large stakeholder network to prevent the harmful effects of alcohol consumption.” (Alko 2018 annual report, p. 34)

There were various cooperation projects, which all aim at increasing general wellbeing and preventing alcohol-related problems. Their mission is to generate proactive discussion and promote moderate, responsible alcohol consumption. These actors are not key stakeholders, meaning engaging them is not really necessary for the company to survive and produce value. It is, however, relevant for achieving hybrid goals, as it works to fulfil the social mission. Experts and associations have deep knowledge of their field and perspective of how to make the biggest impact, so cooperation is seen as an efficient preventative measure for alcohol issues.

Veikkaus had similar cooperation with key stakeholders. However, the difference is that the stakeholders are mostly also beneficiaries for Veikkaus, whose profits are distributed via ministries. Cooperation was still seen as a way to have more effect than alone. The cooperation projects were more multifaceted in the sense that they did not necessarily deal with Veikkaus' dual mission of lessening gambling harm, but widely with the fields beneficiaries also functioned in, including art, science, and sports. The point was to benefit the important, underfinanced industries, while Alko's mission was to lessen the direct and indirect consequences of alcohol.

8 Discussion

The purpose of this thesis was twofold: to examine the hybrid tensions that Finnish state monopolies face when operating in industries of addictive substances, and to discover whether any signs of the coping strategies identified in previous research are found in the public reports of the monopolies. First, this chapter will answer the research questions concisely. Second, the results are explained more broadly and with regards to previous literature. Finally, the limitations of this study and additional research opportunities are presented.

8.1 Key findings

Q1: What kinds of conflicting expectations do the Finnish monopolies face?

To answer research question one, both monopolies recognized their hybrid role and described its challenges openly. Stakeholder expectations had been increasing, consequently complicating the process of managing tensions. Alko deals with the tension between selling alcohol and managing alcohol consumption well, mainly following a social welfare logic. Alko did not have to conform to any financial expectations by the state, so the main focus was on responsibility and customer service. The company has a long tradition of handling this hybrid role, and it seems to be deeply ingrained into the company culture, which helps manage conflictions.

Veikkaus has had more trouble with the tensions, as not only was there a crossfire of financial expectations and responsibility, but the company is also concerned with market share, as gamblers are able to play for offshore casinos online. Additionally, Veikkaus had faced a reputational crisis due to focusing too much on the responsibility towards the beneficiaries as opposed to the players, inspiring a change towards increasing player-focused responsibility actions. However, the triangle of financial performance, market share, and decreasing gambling seems to be increasingly difficult to manage.

Q2: What kinds of mechanisms for coping with the conflictions are found in their reports?

Mechanisms identified in the data were decoupling, responsabilization, organizational identity, and collaboration, which are in line with findings from previous literature. Collaboration was found extensively in Alko's reports, while decoupling was more prominent in Veikkaus' reports. Both monopolies utilized some responsabilization methods, as for

example helplines require the person to realize and admit they have a problem. Alko's strong organizational identity may be helping it struggle less with inconsistency, while Veikkaus has been going through huge organizational changes recently.

While these publications may not provide a detailed understanding of the tensions or the kinds of strategies that are concretely used within the organizations to handle them, they do offer a sufficient general view of the challenges. Another point of view is also that these publications include the narrative that the organizations want to build. This was not necessarily a negative trait in this context, as the company image enabled examining how they present hybridity and discuss their challenges with the general public.

Next, the results will be reviewed in more detail and comparatively with the previous literature introduced earlier.

8.1.1 Hybridity-related tensions

Both monopolies are mixed ownership organizations, as described by Johanson and Vakkuri (2018), as they are state-owned and have a politically driven goal. The two companies had some differences in their operational environment and stakeholders, the most extensive of which was the fact that Alko's stakeholders do not include beneficiaries and Veikkaus' stakeholders do. Alko's financial results thus affect only the state owner and the company itself in the form of needing to cut expenses, while any decrease in Veikkaus' results influences the beneficiaries directly. The beneficiaries are also often foundations that depend on the assistance.

Alko seems to be managing conflicting expectations well: the stakeholders' expectations are either discussed from the perspective of ideal customer service or dismissed as illegal. The alcohol legislation is straightforward, providing a framework of how many expectations can be even theoretically catered to. The company expresses strong responsibility clauses and only notes profitability in passing. This suggests that, according to Skelcher and Smith's (2015) classification, Alko comes across as either an assimilated or a blended hybrid.

Assimilated hybrids have a main institutional logic and only borrow activities from another logic, while blended hybrids form a whole new, complex identity based on hybridity.

According to the classification by Mair et al. (2015), Alko appears to be a conforming hybrid, based on the fact that the company seems to mainly follow a social welfare logic.

Veikkaus went through changes during the examination period. At first, the monopoly had financial objectives to be achieved by increasing unproblematic playing. Responsibility was

always a part of key values and goals – however, the understanding of responsibility changed along the way. Before extensive public discussion related to the image marketing of gambling, the idea of responsibility was attached to themes such as environmental sustainability and supporting the beneficiaries’ causes financially, framed as being an established helper in the Finnish society. Interestingly, the gambling monopoly has been strengthened during the last few years, contrary to Alko, and the aforementioned gambling merger was even justified politically as a means to ensure better supply and profits to beneficiaries, accompanied by worries of competitiveness among the foreign online gambling platforms (Marionneau & Hellman 2020). After the marketing commotion, responsibility towards the gambling addicts and risky players was raised to the top of objectives. This highlights the fact that responsibility is an ambiguous concept and cannot be measured as a simple value with relation to profitability.

Veikkaus’ operations are also bound by gambling legislation, which creates the framework for what kinds of games are legal to launch and what kind of advertising is allowed. Games also go through an extensive evaluation before launching. This leaves an area with room for consideration, where games or marketing is not simply illegal but perhaps not ethical or responsible either, so this is where excesses may happen. Regarding the classification by Skelcher and Smith (2015), Veikkaus resembles possibly a segmented hybrid with a differentiated responsibility and profitability functions, at least before the latest organizational changes, but it is too soon to determine the influence of the latest actions. The way segmented hybrids are organized resembles organization-based decoupling, which was recognized in the results in the form of performance objectives that have since changed. By the Mair et al. (2015) categorization, Veikkaus shows signs of assimilated hybrid behavior by picking and choosing between logics and attempting to form a functional identity by utilizing both social welfare and business logics.

Related to the value systems by Van der Wal et al. (2008), the monopolies had some differences. Alko showed adherence to the traditional public organization values, most notably impartiality, which is not recognized as a typical value in private organizations. The shared values in both organization types, efficiency and accountability, were essential in both monopolies. Alexius and Cisneros Örnberg’s (2015) discovery of efficiency and transparency, “meta values”, being added to reports to accommodate for conflicting missions raises the question whether they are then implemented in practice and how. However, Veikkaus did relate to the traditionally private-organization values, profitability and innovativeness. This

was most likely due to trying to reach previous performance targets, wanting to cater to beneficiaries, and benefiting from innovativeness in creating both new games and responsibility add-ons.

Accountability was identified as justifications in the results, which is in line with the definition by Van der Wal et al. (2008, 470): accountability is consciously justifying activities to relevant stakeholders. This may be more demanding when hybridity is involved, as there are more relevant stakeholders, whose interests do not match. Contrary to the accusation mentioned by Grossi and Thomasson (2015, 606) that hybrids lack accountability altogether, hybrid monopolies seem to recognize their accountability towards many diverse stakeholders, in line with the notion by Ebrahim et al. (2014) that coping with accountability for conflicting objectives is a core issue for hybrids. Accountability is often associated with finance, fairness, and performance (Grossi & Thomasson 2015), and the results demonstrated that these themes are also present in hybrid organizations, though performance should supposedly be measured in success in preventing harmful side effects of the business, specifically alcohol-related public health issues and gambling-related social and financial issues. This is closely related to the notion by Smith and Campbell (2007), that contrasting goals arise when governments act as corporations: shareholder value is measured in profit maximization, while public interest is measured in the wellbeing of citizens.

According to Jensen (2017), other Nordic gambling monopolies were maintained due to established financial interests that are hard to compensate by other means. This development may explain why the Finnish gambling monopoly was strengthened (Marionneau & Hellman 2020) while the alcohol monopoly was weakened (Karlsson et al. 2020). In fact, the previously mentioned difference of beneficiaries being among stakeholders explains differences in the public discussion: all stakeholders benefit from the monopoly and have an interest in preserving it, including civil society organizations (Marionneau & Hellman 2020). Incorporating decoupled responsible playing schemes into the business model is also an important tool for justifying the monopoly solution to the European Union (Cisneros Örnberg & Tammi 2011). Thus, monopolies have also increasingly adopted market-based responsibility reports as evidence of being responsible actors with significant self-regulation projects (Selin 2016), which has allowed Finland to keep organizing gambling via a monopoly solution.

However, considering the major pressure from the stakeholders and inability to sustainably pursue conflicting goals, perhaps it would be more feasible in the long run to organize the

gambling monopoly similarly to the alcohol monopoly, which would mean that the beneficiaries are guaranteed a certain amount of assistance and Veikkaus' profits are a part of the state budget with no interconnection. It is nonetheless important to keep discussing the monopoly systems in academia, as the public discussion is saturated with interests related to receiving benefits and profits. Hybridity offers this dialogue an interesting perspective that has not been widely utilized yet.

8.1.2 Coping mechanisms

As coping mechanisms have not yet been studied other than individually, this thesis understood them as any means for navigating conflicting expectations and goals. Even though some coping mechanisms may be more preferable than others, the mechanisms are still not inherently negative: they become an issue if responsibility is performative and only based on these mechanisms. In other words, responsabilization can be more of a performative mechanism than organizational identity, but both help organizations cope with conflictions, even if the consequences of these mechanisms are not equally successful.

The coping mechanisms identified from the data, decoupling, responsabilization, organizational identity, and collaboration arose on the basis of previous literature. Collaboration was found extensively in Alko's reports and seemed somewhat similar to decoupling: collaboration can be similar to market-based decoupling in that it involves shifting the implementation of responsibility measures to another organization, in a delegating sense as described by Savarese et al. (2020). The point of cooperation was that there are very knowledgeable and proficient organizations in the Finnish society who make excellent partners to help direct resources towards interesting projects. In this way, the resources allocated towards the partner organizations by the company can achieve considerably more objectives than the monopoly alone could. This includes, for example, funding research projects and other projects whose purpose serves the goal of decreasing alcohol-related harm. Despite collaboration resembling decoupling, it could also be an entirely independent coping mechanism with the purpose of allocating resources to entities who have the best ability to affect the society, especially when used more extensively than merely for delegating. Rather than trying to create a project to help educate young people about the dangers of alcohol use, for example, it makes sense to fund an association already working on such a project. It does seem that Alko benefitted from collaboration, and it may help significantly in managing tensions, which was already identified by Savarese et al. (2020). Interestingly, collaboration

was identified by Bundick (2013, 497) as an activity typical to commercial moral syndrome, further reminding that state monopolies are, after all, commercial actors with a specific public duty, and hybrid organizations do tend to function according to multiple logics.

When operating in the digital environment, market-based decoupling is unavoidable, and vital even, to ensure online game restrictions are possible, and responsibility measures reach the players somehow. If the main product cannot be reasonably changed to be safer, decoupling helps increase its safety: selling helmets as safety measures for bikers is necessary, considering they will ride anyway. This example demonstrates that decoupling is not inherently negative or used only to avoid other responsibility measures. Thus, Veikkaus' decoupled online gambling restrictions are also very useful and necessary. The most important example of decoupling in the results was the compulsory identification, the introduction of which was advanced briefly after public criticism increased. However, the point of identification is getting slot machines within the range of self-selected spending limits and decreasing underage playing. This does not necessarily decrease problematic playing but appears as a strong responsibility measure towards gamblers, and self-selected limits enable responsabilization of the consumer: addicts may not be in a state of mind where they can rationally choose a limit.

The rapid introduction of compulsory identification was accompanied by limiting the number of slot machines. These measures together seemed very player-focused, which indubitably was the intention when trying to direct responsibility measures towards the players. However, considering the aforementioned problems with identification and how some groups of slot machines were reduced by one or two machines, Meyer and Rowan's (1977) description of rationalized ceremonies to create subject matter for CSR reports seems relevant. These actions are clearly increasing responsibility but raise the question whether removing some slot machines tackles the structure where addiction develops, and whether profits from slot games decrease as a consequence. If not, the changes are ceremonial, and their purpose is to lessen the dissonance between responsibility and financial performance, which is at the heart of hybridity. Alexius and Grossi (2018) described achieving a compromise, where externally and symbolically a policy is implemented, but internal organizational routines still function in a more convenient manner. This portrayal of organization-based decoupling is often a sincere attempt at piercing the organization with a new value proposition, but its effects may remain frail. More prominent results may be achieved with the new responsibility incentives added for the management. Either way, according to Veikkaus' own pre-2018 analyses, financial

losses of the company were caused by a decrease in the most problematic playing as intended. Decoupling appeared to be an effective means for achieving what was intended.

Consumer responsabilization seems to be closely associated with decoupling, as the purpose of decoupling-related self-regulation tools is to help make playing safer, for example by helping an addicted person control their use of the substance, be it alcohol or games. Shamir (2008) relates responsabilization to a neoliberal notion of an autonomic, rational, self-determined subject with moral agency, which is problematic when rationality is impaired by addiction. Importantly, again, this mechanism may be empowering in the right context: for some, it reminds that they are capable of changing their lives and getting rid of addiction. According to Alexius (2017), empowerment to make rational choices and self-regulate risks changes the power dynamic between the government, the private sector, and the consumer. In this dynamic, it would be naïve to assume that empowerment is enough for the most severe addicts, which is why responsabilization alone does not work to prevent or help with addiction. To some degree, consumer responsabilization cannot be avoided either, as neoliberal democracies are based on the belief that the society consists of responsible adults with the ability to control their usage of alcohol and games, at least when addiction has not yet developed.

Direct methods of responsabilization, preventative information and helplines requiring the person to realize they are having issues self-regulating (Alexius 2017), were seen in both monopolies' data, as preventative information and helplines are important tools for ensuring that addiction does not develop simply because of misinformation and that help is available if necessary. As stated before, these are not unfavorable tools, only ineffective when a person does not see or admit their problem. Indirect responsabilization, where staff would be trained to not help in the case of perceived self-regulation issues, were not in a very significant role in these results; the opposite was actually displayed in the Finnish monopolies, according to this data. For example, the introduction of Alko's Concern Card was staff-led, and the customer service offers resources for handling alcohol problems. Veikkaus' inability to remove people with a voluntary play ban from arcades was the closest example of responsabilization: even though they have requested a play ban, it is their responsibility to comply with it, and the staff is powerless if they choose to return to gambling.

Organizational identity is not a mechanism in the same way as the others are but based on previous literature stating that identity is a major factor in internal conflicts (He & Brown 2013), and it is realistic to consider that a particularly strong or clear identity could help

organizations navigate external conflicts, too. According to He and Brown (2013), organizational identity helps build legitimacy in the eyes of the public, which is a crucial point of view specifically regarding hybrid organizations, for whom legitimacy within conflicting objectives is a core survival issue, as described earlier by Ebrahim et al. (2014). Organizational identity was suggested by Ran and Duimering (2007) to be built by claiming desired and undesired values, propositioning the organization based on these values, and transforming internally towards the preferred direction. However, this is not as simple concerning hybrid organizations, as their values are somewhat conflicting, and thus they need to balance to make sure neither of two conflictions overpower the other. Martin et al. (2011) found that some companies use responsible values for marketing purposes to maximize profit, while for others, the values are deeply integrated into the organization's identity. MacLean and Behnam's (2010) decoupling-related legitimacy facade is quite difficult to recognize in the monopolies' self-written reports or employee interviews, but a scenario where monopolies have such a facade is nonetheless possible. Ran and Duimering (2007) claimed that identity may depend more on how the public views the organization rather than any inherent characteristics of an organization. The definition by Martin et al. (2011) also incorporated reputation into the concept of organizational identity, which highlights the necessity for state monopolies to also maintain a good reputation and overall acceptability of a monopoly solution, again relating to the legitimacy issues more prominent in hybrid organizations, which was observed in the results as justifications.

A permanent monopoly structure can be used as a policy tool (Bernier et al. 2020), which seemed to be a part of Alko's identity: the fact that there is a monopoly lessens the alcohol-related harm significantly as compared to a situation where alcohol sales are subject to a pure market logic. Veikkaus' justifications for concentrating gambling on the national monopoly were similar: the foreign actors do not have any incentives to avoid the most addicting games as they operate with market logic. Alko appeared to have adjusted to an identity where hybridity forms an integral part of how the organizations operated, as it has been a relatively unchanged monopoly from the 30's. Alko's approach to alcohol is a virtue discourse, where the concern for the collectivistic consequences dominate the market (Smith & Campbell 2007). Veikkaus was accustomed to an individualistic, freedom of choice approach to gambling (Smith & Campbell 2007), and consequently to an identity where it is a benefactor in the Finnish society, as gambling funds the operating of many third sector organizations with not much other sources of income. The extensive criticism of 2019 disturbed this

approach, and perhaps helps to innovate and implement a new, sustainable identity for the future. This pre-2019 identity could manifest a legitimacy facade, though more research with different methods would be needed to determine that. This change in organizational identity perhaps relates to organizational metamorphosis, which was described by Brandsen et al. (2005) as nonlinear, permanent change in all adaptable organizations, which would eventually call for a different understanding of hybridity altogether.

The major differences in both the operational environment and the customs for handling conflicts are mostly related to the fields and profit distributions. Alko has the benefit of not being too concerned with market share, which may be seen in how much less the company struggles with the hybrid role. The market share concern was apparent in the language of pursuing sustainable profits versus pursuing sustainable growth. Thus, it seems that while pursuing twofold contrasting goals may be feasible, three somewhat conflicting goals in an additive field may be out of question. Alternatively, perhaps the problem is that pursuing both market share and profits simultaneously makes harm reduction difficult. To return to the introduction of this thesis, the triangle of profits, market share, and decreasing addiction, is certainly creaking.

8.2 Limitations and research opportunities

This thesis responded to a research gap in hybrid organization research: the hybrid role of monopolies with conflicting goals, more specifically in the Finnish context. Hybrid organizations have not yet been studied very thoroughly, even though the phenomenon of hybridity is not new. Previous research has examined for example institutional logics in hybrid organizations (see Thornton et al. 2012), and categories of different hybrids (see Skelcher & Smith 2015). State-owned enterprises have been studied from a hybridity premise (see Bruton et al. 2015), but the focus was on mixed ownership, where the state is a shareholder. Thornton et al. (2012) claimed that conflicting logics can create a need for actions to cope with tensions. Alexius and Grossi's (2018) and Alexius' (2017) research on the Swedish state-owned gambling monopoly identified some of these coping mechanisms used in the gambling industry. Their findings were a great starting point for studying this in the Finnish context with two monopolies, one very similar to the Swedish counterpart, and the other from the alcohol industry with supposedly similar tensions.

Validity of a study refers to how well the phenomenon can be captured with the methods used, in other words, whether the results correspond to the research questions (Eskola &

Suoranta 1998). According to Mayring (2014), validity is usually not problematic in qualitative research, especially theory-driven studies, as qualitative research questions are often subject-centered. There is no accepted theory yet on hybrid organizations (Skelcher & Smith 2015), nonetheless on hybridity in monopolies, which hinders theory-led approaches to the topic. Thus, this thesis focused on exploring the hybrid nature of monopolies as policy tools and conciliating tensions.

Gläser-Zikuda et al. (2020) note that in qualitative research, reliability is more heterogeneous than in quantitative research. Described by Mayring (2014), consistency forms the basis for reliability in qualitative approaches, and the rule-guided approach of Qualitative Content Analysis (QCA) helps strengthen reliability by enhancing the consistency of the analysis. Objectivity, understood as the independence of the results from the researcher, is often found difficult in qualitative research (Mayring 2014), but intersubjectivity, for example, offers perspective for objectivity (Gläser-Zikuda et al. 2020). In this thesis, the QCA framework was thoroughly applied for the datasets of both companies over the years, and it tested well, as the classifications worked on all data with no changes. According to Eskola and Suoranta (1998), result interpretation is reliable if it does not include any inconsistencies. Reliability can be increased by multiple method rounds, so the data was observed several times to confirm.

As this thesis examined the Finnish addiction-related monopolies, its limitations resemble those of a double case study, as there are currently only two of such organizations in Finland. The most common criticism towards case studies according to Tight (2017) is generalizability: it brings out issues of whether the case is typical and can accurately represent the field or industry it is a part of, or whether it is an outlier and chosen because it is particularly extreme. Generalizability based on these results is not rational, but in this case, the Finnish state-owned monopolies in addictive substance industries are both represented in this study and generalizing the findings to foreign equivalents in this context is neither relevant nor possible, and a cross section of the field is relevant on its own.

The background interviews were only done with one person from each organization and only used for gathering information on organizational identity and evaluating other relevant themes. This furthermore highlights the need for a more generalizable sample before drawing any conclusions about hybrid identities. It is possible that these statements only represented the opinion of an employee or the official stand of the company instead of a collective identity, although the small sample and chosen interviewees were justified considering the aim and size of this project. Additionally, interviews for data collection are a significant

prospect for future research anyway, since the phenomenon requires more in-depth examination.

The size of the dataset remained somewhat limited per organization, although data was sufficiently saturated in the end. This was due to the laborious data collection operation, where relevant data had to be retrieved from the annual and CSR reports by hand before content analysis coding. An important consideration for further research is whether some other data collection method, such as aforementioned interviews, could provide different viewpoints, as a potential legitimacy facade and a performative characteristic of CSR reports was suggested in previous research and also recognized in this thesis. Moreover, 2020 reports were not published at the time of data collection, thus introducing the risk of the conclusions lagging behind the current state of the monopolies. However, this is an unavoidable feature of report data and the public discussion surrounding these state-owned monopolies is still significantly topical and ongoing.

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